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To : Department of State, Washington, D.C.

December 19, 1958

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Subject: Berlin Counterpart Investment Committee (BCIC)  
- 58th Meeting:RMIR file  
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At its 58th meeting, held on December 11, 1958, the Berlin Counterpart Investment Committee (BCIC) approved 17 projects in the total amount of DM 27.5 million. In addition, the German members approved DM 25.5 million from pre-Zablocki funds.

In order to encourage investments in West Berlin in the present political situation, the BCIC interpreted liberally the criteria governing the approval of investment loans. The agenda included 21 applications in the total amount of DM 60 million. Since, however, only DM 36 million post-Zablocki funds were still available (including DM 12.7 million for equity financing), the BCIC agreed to make approvals in anticipation of GFY 1959/60 funds. This was considered justified because of the fact that in general, several months pass before the funds are actually used, so that the missing funds will be available when needed. In addition, some projects need a longer period of time for completion so that the disbursement of some funds will extend through all 1959 and into 1960. The German members applied the same rule to pre-Zablocki funds and made approvals in excess of availabilities which before the meeting were recorded at DM 22 million.

A substantial portion of the total amount was allocated to three investment projects of the electrical engineering industry which a few days before the meeting had been announced in the press as a means of strengthening the confidence in the future of West Berlin. These projects were: 1) DM 24 million for Siemens & Halske A.G., 2) DM 6.5 million for Siemens Electroröhrte A.G. and 3) DM 4 million for Osram GmbH. The Committee agreed to finance these projects at a ratio of approximately one-third from post-Zablocki funds and two-thirds from pre-Zablocki funds. Upon the request of the U.S. representative a statement was included in the minutes saying that, under ordinary circumstances, the U.S. representative would not have approved the financing from post-Zablocki funds of investment projects of large West German companies which may well raise funds from the capital market or own sources. In the present

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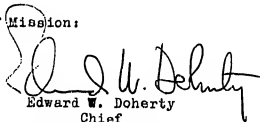
situation, however, he was prepared to approve part of the requested funds. The Committee also agreed not to apply this time the requirement that 50 percent of the necessary funds be supplied by the applicants, - a requirement which the German members normally impose when approving projects of the big companies from pre-Zablocki funds.

Other loan approvals from post-Zablocki funds include DM 2 $\frac{1}{4}$  million for Deutsche Waggon- u. Maschinenfabriken GmbH. (mechanical engineering) for rationalization and expansion of capacity in production of vending machines; DM 3.1 million for Krone K.G. (electrical engineering), DM 2.4 million of which will be equity financing, for new production of polyester parts and working capital requirements; DM 2 million for Berolina Strumpf-fabrik (stockings manufacturing) for changing production from stockings with seam to seamless stockings in order to meet market requirements. A DM 4.5 million liberalized loan was approved for the Haus der Elektrizität, a 21-floor office building now under construction at the Ernst Reuter Platz which to a large extent will be occupied by the Telefunken GmbH.

A loan request for DM 3 million from Ullstein A.G., a large editorial and newspaper printing enterprise, was approved by the German members from pre-Zablocki funds after the U.S. representative, referring to two similar applications approved from pre-Zablocki funds in February 1957, had explained that he was not prepared to approve a newspaper loan from BCIC-controlled funds because of possible political ramifications.

The annex to this despatch summarizes the BCIC actions at the 58th meeting. The approval of various types of loans totaling DM 53 million (including pre-Zablocki funds) will enable total investments of about DM 93 million.

For the Assistant Chief of Mission:

  
Edward W. Doherty  
Chief  
Economic Affairs Section

Enclosure: 

BCIC Actions.

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BCIC Actions - 58th Meeting (Dec. 11, 1958)

Enclosure 1

(in 1,000 DM)

	<u>Standard l.t. loans</u>	<u>Liberalized Loans</u>	<u>Equity Financing</u>
Funds available at beginning of meeting	22,927.8	- 44.4	12,678
Changes	- 230	+ 230	
	<u>22,697.8</u>	<u>+ 185.6</u>	
<u>Approvals:</u>			
Deutsche Waggon- u. Maschinen-Fabrik	2,250		
Hildebrand Kakao- u. Schok. Fabrik	465		
Carl Scharenberg Nachf. K.G.	150		2,400
Krone K.G.	700		
Kurt Menzel	350		
Osram GmbH.	1,500*		
Siemens & Halske A.G.	8,000*		
Siemens Electrogeräte A.G.	2,500*		
Kaethe Böhm o.H.G.	190		
Brüder Hartmann K.G.	200		120
Max Schönherr	150		
Hotel Windsor, W.G. Lang	250		
Haus der Elektrizität GmbH.		5,500	
Max Weser & Co.		200	
Berolina Strumpffabrik	2,000		
Eisen- u. Metallwerk GmbH.		150	
Small loan approvals		<u>422</u>	
	<u>18,705</u>	<u>6,272</u>	<u>2,520</u>
Total	<u>3,992.8</u>	<u>- 6,086.4</u>	<u>10,158</u>
	-	<u>1,464.9</u>	-
Add cancellations and reductions			
Funds remaining available	<u>3,992.8</u>	<u>- 4,621.5</u>	<u>10,158</u>
	*****	*****	*****

Approved from pre-Zablocki funds:

<u>Postponed:</u>			
Adoros Teppichwerke Uebel K.G.	6,300	Osram GmbH.	2,500*
Friedrich Mahlke	250	Siemens & Halske A.G.	16,000*
		Siemens Electrogeräte A.G.	4,000*
		Ullstein A.G.	<u>3,000</u>
<u>Rejected:</u>			<u>25,500</u>
Berliner Benzin-Vertrieb	250		*****
* Approved at one-third from post-Zablocki and two-thirds from pre-Zablocki funds			

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